GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5065
ANSWERED ON:26.04.2002
OPEN OFFER CLAUSE
DR. KIRIT SOMAIYA

Will the Minister of FINANCE be pleased to state:

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(a) whether the Government have received any representation regarding giving weightage to small investor in 20 per cent Open Offer Clause;

(b) if so, the details of the suggestion made in this regard;

(c) the Government`s response thereto; and

(d) the action taken thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) : Yes, Sir.

(b) It was suggested that small investors should be given priority, that is, small investors upto Rs. 1 lakh or 1000 shares should be given priority over big investors. Effectively, it should be mandatory for the bidder/acquirer to purchase the full quantity of shares offered by small investors in the open offer.

(c) & (d) The matter was referred to the Securities & Exchange Boardof India (SEBI). SEBI has intimated that on examination it was not found feasible to accept the suggestion regarding reservation for a class of shareholders in an open offer for the following reasons. Under the Companies Act, small shareholders are not treated differently from large shareholders. Such a measure may encourage investors to transfer their shares to their relatives and friends prior to an open offer and tender that many shares under different names in order to get all their shares accepted. Further, SEBI has to keep in view the interests of all shareholders.